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UNCLAS TEGUCIGALPA 002563

SIPDIS

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STATE FOR EB/CIP  
GUATEMALA FOR COMMATT:DTHOMPSON

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SUBJECT: PRE-QUALIFICATION FOR 25-YEAR HONDURAN CELLULAR SERVICES CONTRACT

REF: TEGUCIGALPA 02043

11. (SBU) Summary. Two American cellular companies were among six who applied for pre-qualification to bid on the GOH's 25-year cellular service contract. The winner of the bid will be the only competition for Honduras' current cellular provider, Celtel (majority owned by Motorola). Conatel plans to announce the qualifying companies on or about October 8, 2002 and the official bid opening is scheduled for January 2003. The GOH has, unfortunately, limited the evaluation criteria to the size of the concession fee paid to the government. End Summary.

12. (SBU) On September 9, 2002, Contatel, Honduras' Telecommunications Regulatory Commission, held an open pre-qualification process for companies who are planning to bid on the Honduran cellular service contract. Two American companies, Bell South Honduras (comprised of Bell South Honduras, BS Chile, BS U.S., BS Nicaragua and BS Guatemala) and Digicel Honduras (U.S. partners with Salvadoran and Italian investment) applied. The other potential contenders include Radio Movil Dipsa, S.A. de C.V. (TeleMex of Mexico), Telecomunicaciones de Guatemala (TelGuat of Guatemala), Empresa Nacional de Telecomunicaciones, S.A. (Entel Chile - an Italian backed Chilean company) and Megatel - Emce (ENITEL, a Honduran company owned by Freddy Nasser). This cellular service contract would be for one of Honduras' three Personal Communication Systems (PCS) bands, not the highly politicized cellular band B (reftel).

13. (U) Conatel will officially announce by October 8, 2002, which companies qualify and will go on to the second phase of the bidding. During the pre-qualification process, Conatel will check that the firms meet certain business criteria, including having annual sales upwards of USD 150 million and a company user market of minimum 500,000 mobile users. Conatel is looking for large companies only for the bid. The winner of the 25-year contract would be in competition with Honduras' only other cellular services provider, Celtel (majority owned by the U.S. firm, Motorola).

14. (U) Celtel has expanded lines rapidly, and now accounts for approximately half of total phone lines in the country. However, cell phone rates are very high by Central American standards and service coverage is generally limited to Honduras' largest cities. Celtel's contract with Conatel is currently under dispute. Originally, Celtel held a ten-year contract that is set to expire in 2006. However, on principles of fairness, Conatel extended Celtel's contract an additional 15 years to equal Hondutel's (Honduras state-owned telephone company) current 25-year contract. Two deputies in the Honduran National Congress did not agree with Conatel's decision. The Public Ministry is currently suing Conatel over the Celtel extension.

15. (SBU) The final bid opening is forecast for sometime in January of 2003. The winner of the bid will be based solely on the highest bid presented. Comment: The GOH's decision to not include other criteria in this concession, such as expanded coverage and other customer service issues, appears shortsighted. However, it appears that a simple price-based concession is considered more likely to obtain congressional support. End Comment.

PIERCE